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DAILY DIGEST

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CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. East Germany sends aid to North Korea: The German Democratic Republic has sent "large quantities" of medicine and clothing to North Korea, according to a Telepress report broadcast by Radio Peiping. Included in the consignment are two ambulance cars, 1,893 cases and 30 barrels of medicine, 801 cases of textiles and clothing, 154 cases of varied gifts and eight million marks collected during the past year. (R FBID, 10 Sep 51)

Comment: This is the first mention of East German aid to North Korea.

2. FINLAND. Top Communist leaders reported to have been in Moscow: The US Legation in Helsinki reports that the three top leaders of the Finnish Communist Party departed for Moscow during the end of August, ostensibly on a recreation trip. Another report [REDACTED] states that the three Finnish Communists were in Moscow, and that they returned to Finland during the first week of September.

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Coincidentally, at the time of the trip the Helsinki press discussed reports of dissatisfaction within the Communist-front Socialist Unity Party over the question of subservience to the Communist line. Denying reports of a split, a party spokesman declared the party plans to publish an organ of its own. In comment, the legation points out that since such a publication has little prospect of being economically rewarding, an increasing sense of individuality on the part of the members of the party is indicated. (R Helsinki, JW-35, 31 Aug 51; [REDACTED] 10 Sep 51)

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Comment: In June certain members of the Socialist Unity Party were reliably reported to be endeavoring to break their party away from the Communists, and apparently achieving some success. Loss of control over this party would be a distinct setback to the Communists, and could certainly account for the trip of the Communist leaders to Moscow. Not only is the Socialist Unity Party the most effective Communist approach to Finnish intellectuals, but dissidence within this party has previously showed signs of spreading into the Communist Party itself. It is also possible that the Finnish Communist leaders received instructions in Moscow concerning new tactics to be used in a renewed campaign among Finnish labor groups.

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3. POLAND. Pastoral letter indicates Church not intimidated by trials of priests: In a strong pastoral letter on 2 September, Polish Catholic Primate Wyszynski affirmed the resolution of the Church to maintain "its right" to provide religious teaching as an integral part of the education of Polish youth. The letter also contained a stern warning to those parents who might decide to compromise with their Catholic faith and permit their children to be brought up without religious education. The US Embassy in Warsaw comments that the firm tone of the letter and its emphasis upon the divine rights of Polish citizens seems to indicate the recent secret trials of the Catholic clergy have not shaken the determination of the hierarchy to resist further encroachments of the Polish Government into the religious life of the Polish people. (C Warsaw 229, 9 Sep 51)

Comment: The Church is not in a position to enforce the teaching of religion in the state controlled schools. The call by the Primate to parents to give their children religious education at home is an effort to circumvent the weak position of the Church in regard to religious education in schools.

4. YUGOSLAVIA. Yugoslav actions further jeopardize Yugoslav-Italian relations: Within three days after the postponement of the Trieste elections, the Yugoslav Government has taken a stand which will make bilateral negotiations over Trieste more difficult. On 8 September the Yugoslav Foreign Office protested the anti-Yugoslav campaign being conducted by Italian Government spokesmen and propaganda organs. In a 9 September speech celebrating Yugoslav Navy Day, Marshal Tito denounced Italy's anti-Yugoslav campaign and irredentist claims. He stressed Yugoslavia's desire for peaceful relations with Italy and a settlement of their outstanding issues, but warned that Italy should not forget it is dealing with a new Yugoslavia that "knows what it wants and what it must do to defend its peaceful life." (U Belgrade 326, 10 Sep 51; R FBID, 10 Sep 51)

Comment: These actions are another indication that the Yugoslav Government has no desire to settle the Trieste issue at this time. Prior to the postponement of the Trieste elections on 6 September, Yugoslavia had maintained a relatively moderate tone regarding the anti-Yugoslav campaign in Italy.

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SECTION 2 (EASTERN)

1. ISRAEL. Israeli Prime Minister still unable to form government: Israeli Prime Minister Ben Gurion, leader of the moderate socialist MAPAI party, after six weeks of negotiations has not yet managed to form a government. Ben Gurion, whose party obtained only a plurality in the 30 July elections, has been trying to reach accord with the next largest parties, the conservative General Zionist and the extreme leftist MAPAM.

Failure to include the Zionists or MAPAM would force the Prime Minister to form a coalition with five splinter groups or admit his inability to form a government. (C USARMA Tel Aviv 573, Weeka 9, 10 Sep 51)

Comment: The Prime Minister disagrees strongly with the General Zionists on many domestic issues. He disagrees even more strongly with the MAPAM on major foreign policy issues.

Unless either or both of these parties considerably modifies its position, Ben Gurion will have to turn to smaller parties more in accord with his position. Such a coalition would give him only a slim working majority and would leave him a strong opposition.

2. INDONESIA. Indonesia Chinese students proceed to Peiping for special four-year course: Forty Chinese students left Djakarta in June for Peiping, where they will attend a special school of politics run by the Chinese Communist Government. The course is expected to last four years and will include complete indoctrination in Communist ideology and propaganda methods.

The trip was organized by the Chinese Communist Embassy in Djakarta, which also supplied the students with special letters of introduction to prominent Chinese in China. [REDACTED]

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Comment: Small groups of Chinese students frequently leave Indonesia to pursue higher education in Communist China. It is not known whether arrangements similar to those mentioned in the above report have been made for other students.

The Peiping regime is known to be training agents for overt and covert operations throughout Southeast Asia, but the existence of a training program of the above duration has not previously been reported.

3. INDOCHINA. Viet Minh action expected: The Viet Minh is definitely preparing a new campaign, according to French intelligence. It is expected that the attack will be aimed at areas to the north and west of the delta. (S OARMA MC 235-51, 9 Sep 51)

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Comment: No time was specified for the beginning of the attack.

4. Democratic Party wins Cambodian elections: Results of the National Assembly elections of 9 September give the Democratic Party 53 out of a total 78 seats in the assembly. The next largest vote went to the Liberal Party, which won 19 seats. (U Pnom Penh 15, 11 Sep 51)

Comment: This pattern of voting is similar to that in previous Cambodian elections. The Democratic Party has shown itself slightly more inclined than the Liberal Party to resist French control. All parties in Cambodia are, however, essentially conservative. All have as their slogan: "For King and country."

5. PHILIPPINES. Supra Sino-Philippine Communist group seen active: A high level Communist liaison group, apparently distinct from other Party organizations in the Philippines, is now active, [REDACTED] The group, which is reported to include both Chinese and Filipino members, but to be directed from China, appears to be primarily concerned with improving the military capabilities of the Huks and with settling differences with regard to the policy line and tactics of Philippine Communists. [REDACTED] Comment: The Chinese Communist Party is believed to have an important role in the Philippine Communist movement, directed in part toward integrating it with international Communism throughout the Far East. Philippine leaders appear to depend upon superior Chinese security enforcement. Dissension may arise, however, as a result of the traditional Filipino fear of the Chinese. [REDACTED]

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Comment: The Chinese role in the Philippine Communist movement has been obscure. This report supplements others which indicate increasing Chinese participation and which are supported by the logic of the situation, wherein the Huks, who have virtually embodied the movement, find their capabilities at a low ebb. Chinese Communist assistance to the Philippine Communists in ideological and tactical matters may reflect increased activity by the WFTU Liaison Bureau in Peiping. The Liaison Bureau was created under Soviet auspices in late 1949 apparently as an instrument for providing assistance of this nature to Communist movements throughout Asia, but little has been learned of its subsequent operations.

6. CHINA. Estimate of air strength in Communist China now 1,255: The US Far East Air Force estimates that 1,255 combat aircraft, including 650 jet fighters, are now in Communist China. This represents an increase of 205 aircraft over the June estimate. Over half, or 785, of these aircraft are believed to be in Manchuria. FEAF estimates that at least 2,000-2,500 Chinese are qualified combat pilots, and an additional 4,000-5,000 are in training. FEAF expects Chinese pilots to replace Russians gradually until

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the CCAF becomes a truly Chinese Communist force. (S FEAF Tokyo, AX 3273, 1 Sep 51)

Comment: These figures correspond roughly with the current Washington USAF A-2 estimate of 1,260 combat aircraft, of which 600 are jets, in Communist China. The large number of Chinese pilots estimated to have completed or to be in training (6,000-7,500) is an indication that the CCAF will continue to expand.

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7. Chinese Communists to build parachute factory in Manchuria:

25X1C [redacted] who obtained his information from a Peiping informant, reports that the Chinese Communists plan to establish a parachute factory at Tsitsihar in northwest Manchuria. The USSR will supply machinery and technicians from a Soviet parachute factory. [redacted] believes that this plant is to be opened by the end of 1951 and to employ 250 workers. (S

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Comment: The Chinese Communists are reported to have recently opened parachute factories in Hangchow and Canton.

8. Liu Po-ch'eng reportedly relieved and transferred: General Liu Po-ch'eng, long-time commander of the Chinese Communist 2nd Field Army, based in the Southwest, is reported by Nationalist intelligence to have been relieved of that command and transferred to Nanking to head a military school. Ho Lung is said to be the new commander of the 2nd Field Army. (S Alusna Taipei, C-3, 100624Z Sep 51)

Comments: Similar reports of Liu's actual or impending relief and transfer have been received periodically for several months. Although Liu was the only commander of a Field Army not to be accorded favorable mention in a recent official history of the Chinese Communist Party, reports of his fall from favor are still regarded as doubtful. If Liu has indeed been relieved and transferred, Ho Lung would be a credible replacement.

9. Appointments to Cominform agency alleged: Nationalist intelligence reports the appointment of Liu Shao-ch'i as "Chief of the Far Eastern Intelligence Bureau for the Cominform," and of Ch'en Shao-yu as "Chief of the Intelligence Committee." The alleged area of operations includes Japan, much of Southeast Asia, and Hong Kong and Macao, agents being trained in Peiping and shuttled through Hong Kong. (S USARMA Taipei AT 261, B-3, 9 Sep 51)

Comment: Nationalist and other sources persist in citing an "Asian Cominform" and/or Far Eastern bureaus of the Cominform, and identifying Chinese Communist leaders as officials of such organizations. These reports

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derive from a widespread confusion between the old Comintern (Communist International) and the new Cominform (Communist Information Bureau). The Comintern was a Soviet-controlled international directorate for the world Communist movement, operating in large part covertly. The Cominform is occupied, under Soviet direction, with ideological questions affecting the world Communist movement, and operates overtly. The covert functions of the Comintern are believed to have been assumed by the Foreign Section of the Soviet Communist Party's Central Committee when the Comintern was dissolved in 1943. The nearest equivalent to the Cominform in Asia is the WFTU Liaison Bureau set up in Peiping in late 1949.

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Puppet party leader reported under house arrest:

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[REDACTED] that Li Chi-shen, Chairman of the Kuomintang Revolutionary Committee (KMTRC), was placed under house arrest in early August to prevent his escape and defection. Other puppet party leaders are said to expect similar treatment. [REDACTED]

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Comment: The Communist press has admitted the arrest of a number of puppet party members, but reports of the arrest of leaders remain unconfirmed. The Daily Digest of 13 July, reporting rumors of Li's imminent defection, regarded it as doubtful that the Peiping regime would give Li or other disaffected leaders an opportunity to escape. The Communists are doubtless aware of the disillusion of these figures--the result of the collapse of their hopes to play a significant role in the regime--and have permitted none of them to move freely inside China or at all outside China.

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Political conflict reported within Nationalist Government circles: The US Minister and the Service Attaches in Taipei have reported that the recent attempt of the noted educator, Hu Shih, to resign from a Taipei newspaper indicates the active dissatisfaction of the liberal elements in the Nationalist regime. They also cite the cabinet resolution, passed through the efforts of liberal elements, stating that the powers of the police are to be confined to clearly subversive or military cases, leaving all others to civil courts.

The report explains that these incidents reflect two conflicting trends in the political scene: (1) the necessity and desire to please America, and (2) the conviction that a further tightening of centralized control is required at the present critical time. In recent months the advocates of highly centralized control have been in favor, with the more liberal elements complaining of increased infringements on freedom of the press and personal liberty. (S Alusna Taipei, Joint Weeka 36, 8 Sep 51)

Comment: Although Premier Chen reportedly is convinced of the need for curtailing the activities of the military and police, the strong

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12. CHINA/KOREA. October Communist offensive in Korea predicted: Chinese and Korean Communists plan to resume the offensive about 1 October, supported by nearly 2,000 tactical aircraft, [REDACTED] from a Chinese Communist in Peiping. Source claims that all these aircraft, which comprise 16 divisions, are in Manchuria. Chinese have recently been replacing Russians as pilots of jets and other aircraft. [REDACTED]

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Comment: Communist forces in Korea have long been building up for a possible new offensive, and many sources have predicted the launching of such an offensive on some definite date; thus far, all these predictions have been wrong. The source's estimate that 2,000 combat aircraft are in Manchuria is considerably higher than the US Far East Air Force's latest figure of 785.

13. KOREA. South Korean anti-Japanese feeling believed irrational: Commenting on recent ROK anti-Japanese public statements and editorials, the US Mission in Korea observes that the "tactlessness and ill considered" timing of this manifestation is motivated by "pique, jealousy, and frustration" at Japan's acceptance in the international community without ROK sanction. The Mission observes, however, that the Koreans do have a very real fear of future Japanese economic and military domination. The fact that the adoption of such an anti-Japanese attitude may prejudice future ROK relations with her more powerful neighbor seems to have been overlooked in South Korea. (S Pusan 245, 11 Sep 51)

Comment: Korean emotion, engendered by 40 years of Japanese domination, frequently overbalances common-sense in dealing with the subject of Japan.

14. JAPAN. Government orders increased surveillance over rightist organizations: The Japanese Attorney General's office has issued instructions to local authorities to exercise vigilance over the activities of rightist organizations, which are expected to become more active following the signing of the peace treaty. Officials state that there are now about 550 organizations of rightist complexion which have registered with the government, and that while these organizations are pro-American and anti-Communist on the surface, they are actually pushing nationalism under the slogans of "Asianism" and "racial independence." (R FBID Ticker Tokyo, Jiji, 11 Sep 51)

Comment: Since occupation directives prohibit the existence of ultra-nationalist organizations, the post-war extreme right has adopted anti-Communism as its main theme, at the same time avoiding any anti-Western activity. The war in Korea, the government's anti-Communist

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campaign, the creation of the National Police Reserve and the peace treaty unquestionably have strengthened nationalistic sentiment, but it is unlikely that these rightist organizations will be able, for some time to come, to achieve the influence over Japanese life held by their pre-war counterparts.

15. Peace treaty signing observed quietly in Japan: The signing of the peace treaty and security pact was observed quietly in Japan, with the joy of most Japanese tempered by anxiety over the future, according to the US Political Adviser in Tokyo. There were no public demonstrations, and comparatively few shops and homes showed the national flag. (U Tokyo 517, 10 Sep 51)

Comment: Several editorials just prior to the conference deplored the festive attitude of many Japanese toward the peace treaty. With the long-sought peace finally attained, there apparently has been a sudden realization of the many problems facing Japan, foremost of which are future relations with the USSR and Communist China and the attainment of economic stability.

16. Basic principles for rearmament announced by Democratic Party: The Democratic Party has announced the following basic principles that should guide Japan's rearmament plans: (1) no member of the Japanese armed forces shall be sent abroad to fight in foreign wars; (2) the prerogative of the supreme command shall not be independent of the government; and (3) the sum to be spent annually shall not exceed yearly occupation costs. (R FBID Ticker Tokyo, Jiji, 11 Sep 51)

Comment: Occupation costs are now running about 100 billion yen annually -- a sum which would maintain less than half of the 200,000 man army advocated by the Democratic Party. The Japanese Economic Stabilization Board has estimated the cost of a well-equipped division at 20 billion yen annually. The budget for the 75,000-man National Police Reserve currently is 16 billion yen, with a 12 billion yen supplementary appropriation anticipated. The Democrats' enthusiasm for rearmament is not shared by the Liberal government.

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SECTION 3 (WESTERN)

1. GERMANY. Long range adverse effect on Berlin economy seen: Although truck traffic on the Berlin-West Germany autobahn appears to have returned to normal, the recent Soviet move in imposing a prohibitive road tax on this traffic is likely to result in the long run in further harm to the West Berlin economy. At the present time, the tax has apparently been absorbed by the German firms and, although imported commodities will probably continue to be available, there is likely to be an increase in their cost. The possibility exists that some Berlin industries will become less competitive through price increases.

Local US officials, in evaluating the possible Soviet motives, assert that the tax, coming on top of other recent restrictions, is the latest in a series of steps designed to lead progressively to a new blockade, or at least a situation equivalent in its effect on the economy of West Berlin, with the ultimate goal of making the Allied position in the city untenable. They feel that the move may also be designed to force the conclusion of the interzonal trade pact, or to divide and confuse the Western camp on the whole Berlin problem. (S Berlin 373, 8 Sep 51)

Comment: The precarious West Berlin economy already requires extensive support from the Allies and West Germany. Further impairment of this economy would increase the unemployment, already serious, and require additional subsidies from the West German Government, thus adding to current West German dissatisfaction with the burden on the Federal budget.

2. FRANCE. Duclos urges Communist leaders to action: In his report to the Communist Party central committee and federal secretaries meeting on 7 September, Acting Secretary-General Duclos set the stage for an intensified struggle to obstruct the French economy and defense effort. Duclos mentioned in particular the usefulness of the mass strike as the weapon to prevent dictatorship, adding that "no good could come from inaction." The current party line, as outlined by Duclos, varies from the policy established at the last national congress, April 1950, only in its increased emphasis upon national independence -- from the "American imperial yoke." The Duclos report was devoted almost exclusively to national, as opposed to international, problems.

In playing up the Communists as a great national party, Duclos was attempting to dispel the growing popular awareness of the party's anti-national character and to counter the appeal of Gaullist nationalism. Nevertheless, he concluded with a pledge of "unalterable" attachment to the USSR. (C Paris 1533, 9 Sep 51)

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Comment: This convocation may have been intended as the opening gun for concerted strike activity by the Communists. The wage increase just granted by the government, however, will probably blunt the Communist attack, and the party may go slow rather than risk the loss of the labor support gained last spring.

3. UNITED KINGDOM. Government opposes seat for Communist China in International Monetary Fund: The UK opposed seating Communist China in the International Monetary Fund by supporting the US motion to defer consideration of the Czechoslovak resolution to oust Nationalist China's representatives in favor of those from the Peiping regime. According to press reports, Western European delegates viewed the stand as a significant departure in British policy toward Communist China. (U NY Times, 11 Sep 51)

Comment: This vote was in line with British assurances to the US in early summer that they would support postponement of the Chinese Communist representation issue in all UN bodies including the General Assembly. Previously, even after the General Assembly "aggressor" resolution, the UK had supported favorable action upon Chinese Communist representation in those UN bodies it considered competent to act on the question. For the past several months Britain, while still recognizing Peiping, has displayed less inclination to conciliate the Mao regime in the light of growing Foreign Office concern over divergence with the US on Far Eastern policy, and in the light of public reactions to British casualties in Korea at the hands of the Chinese.

4. SWEDEN. British naval visit disturbs neutrality-minded Swedes: The pro-neutrality segment of the Swedish press has indicated concern over the allegedly political twist given by the British to a visit by one of their submarine flotillas to Sweden and Denmark. The declaration by the British Admiralty that the naval visit, in addition to cementing traditional ties, indicated that the Baltic is an open sea and not a Soviet mare nostrum, coupled with another recent British Government statement that NATO forces stand ready to aid in the defense of the Baltic, are regarded by this element as jeopardizing Swedish neutrality.

The Swedish Government remains silent; and newspapers close to the government, after ignoring the visits entirely for five days, have hinted by their comment that the government also fears compromise to Swedish neutrality. (U NY Times, 9 & 11 Sep 51)

Comment: Sweden has been willing to receive courtesy visits from all navies including the USSR's, but there has been no exchange with the USSR. The Swedes enjoy close ties with the British, and recently there have been a number of reciprocal visits by air force as well as naval elements. What is probably feared is a Russian belief that Sweden is becoming for all practical purposes a member of NATO.

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5. BRAZIL. Minister of War reportedly planning revolution: General Newton Estillac Leal, Brazilian Minister of War, is reportedly planning to overthrow the government should the opportunity arise. His plans are said to be directed by "Alberto Padua de Araujo and Colonel Emygdio Miranda, both known Communists." A counter-revolutionary group, headed by former Minister of War Canrobert, has been formed. [REDACTED]

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Comment: It has been only during the past month that there have been reports of any cleavage in the army. There is a growing mistrust of War Minister Estillac Leal whose ambiguous statements appear designed to curry favor with the radical elements. There is no evidence that he is a Communist, but many of his actions and attitudes play into the Communists' hands. The Colonel Miranda mentioned is probably Lieutenant Colonel Emidio da Costa Miranda, a director of the Military Club and reportedly a friend and godfather of Communist leader Luis Carlos Prestes. Recent reports have indicated increased Communist activities in some sections of the armed forces.

General Canrobert, as well as General Goes Monteiro, would be the leaders of the more conservative and the more pro-US group of officers in the Brazilian Army.

President Vargas' attitude toward the reported split in the army is unknown. He may be giving sufficient rope to Estillac Leal and the radicals to hang themselves, or his failure to take decisive action may be evidence of weakness and a stall for time.

6. GUATEMALA. Diplomatic relations with Nicaragua may be renewed: Foreign Minister Manuel Galich of Guatemala has indicated that his country may soon renew diplomatic relations with Nicaragua. Diplomatic relations between the two countries were broken off in 1945. (U NY Times, 11 Sep 51)

Comment: The renewal of relations with Nicaragua may be taken as evidence that President Arbenz has abandoned the policy of his predecessor, President Arevalo, which involved nonrecognition of, and overt opposition to, governments established by nondemocratic methods based on military force. The termination of the Guatemalan-Nicaraguan "feud" will constitute an important contribution to international harmony in Central America.

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